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# ECONOMIC STRUCTURE OF THE THIRD REICH

by

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*with the aid of the Research Staff of the Foreign Policy Association*

## INTRODUCTION

ON September 4, 1934 Reich Leader and Chancellor Hitler proclaimed to the world that the National Socialist revolution as a revolutionary seizure of power has now made way for a process of evolution which alone can change conditions. He added: "There will not be another German revolution in the next thousand years," warning the four million dissidents who voted against him in the plebiscite on August 19 that National Socialism had come to stay. Herr Hitler announced that his government was preparing to make itself entirely independent of foreign countries through development of synthetic substitute raw materials. Despite opposition at home and abroad, "National Socialism . . . will not capitulate . . ."

Events during the past few months have offered an object lesson to opponents of the Nazi régime and at the same time have changed the fundamental basis of Hitler's power. The purge of the party on June 30 and the shooting of General von Schleicher and prominent Catholic leaders removed dangerous individuals who might have threatened the régime in the immediate future. The killing of Captain Roehm, Chief-of-Staff of the Storm Troops, as well as other prominent Storm Troop leaders, not only signifies that advocates of a small professional army have triumphed over partisans of a large "people's army," but that Hitler has apparently thrown in his lot with the Reichswehr. The latter, after von Hindenburg's death and Hitler's immediate assumption of the Presidency, swore absolute obedience to the *Fuehrer*; some observers, however, declare that this oath swore Hitler into the Reichswehr. In any case, after fifteen years of managing affairs from the outside while maintaining the appearance of complete aloofness, the Reichswehr has now become directly involved in domestic politics.

This fact may be of prime importance during the coming months. Dissatisfaction with the Nazi régime appears to be growing—in large part because of the incompetence and personal extravagance of many Nazi officials, although Hitler himself seems exempt from

blame on this score. Complete lack of the safety valve of public criticism has aggravated unrest, and disillusionment is increasing among the Nazi masses who fervently believed that establishment of the Third Reich connoted arrival of the millenium. Disappointment apparently has not yet attained the proportions of real opposition, and Hitler is still regarded as a Messiah by most Germans. The growing seriousness of the economic situation, however, and the resulting hardships which are bound to increase during the coming winter may serve to crystallize existing dissatisfaction.

Political events in Germany since Hitler's accession to power have tended to overshadow the changes introduced by the Nazis in the economic structure of the Reich. A political totalitarian state has already been set up,<sup>1</sup> but in the economic sphere National Socialism has proved to be less radical in practice than in theory—a fact which has doubtless served to augment unrest. Government interference in business and industry has increased, but the capitalist system remains. Agriculture is strictly controlled by the government, but the large estates have not been divided. "Slavery to interest" has not been broken, nor have department stores been abolished. Trade unions have been wiped out and the Nazi principle of "leadership" and emphasis on the welfare of society have been introduced into relations between capital and labor, but industrial peace depends almost entirely on the so-called labor trustees appointed by the government.

It is too soon to judge the effects of these changes in the economic structure of the Reich, which are reviewed in the following report. Nevertheless, the crisis brought about by Germany's falling exports, which has endangered the entire Nazi economic program, has focussed attention both in the Reich and abroad on the measures which have been taken to apply National Socialism in the economic sphere.

1. Cf. Mildred S. Wertheimer, "Political Structure of the Third Reich," *Foreign Policy Reports*, June 20, 1934.

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## NAZI ECONOMIC THEORY

Before Hitler's accession to power on January 30, 1933, Nazi propaganda consisted chiefly of attacks on the "Weimar system," and pledges to tear up the Treaty of Versailles and restore Germany to its rightful place as a great power. The German people were promised work and bread—there was to be a complete "New Deal" in foreign and domestic affairs, both politically and economically.

The official party program was vague on economic matters, and Nazi speakers and writers made far-reaching and often contradictory promises during the years of agitation preceding the National Revolution. The obscurity of Nazi economic policy may be explained partly by the fact that, according to Hitlerite ideology and practice, politics and political tactics are of paramount importance, while economic policy is secondary.<sup>1a</sup> The Nazis declared that their economic theory constituted the direct antithesis of economic liberalism. In the political sphere they were unalterably opposed to liberal democracy; in the economic field they favored broad state interference in business, but maintained that private initiative must not be hampered. Private property was upheld, with the limitation that it must serve the entire community. The conception that welfare of the individual must be subordinated to the good of society formed the crux of Nazi "socialism," which was also defined as the "socialism of the trenches." The Nazi principle of leadership, on which the political and economic structure of the Third Reich is based, was a direct corollary of this "front rank socialism." "Socialism," according to the Nazis, must be the symbol of a people united under a supreme leader which, they asserted, is at variance with the Marxist idea of class struggle bitterly opposed by them. The Nazis preached that capital and labor were partners working together for the welfare of a united nation, and demand-

ed the establishment of a corporate state, based on the medieval idea of guilds, which would regulate national economic life for the benefit of all.

### PROPAGANDA

While National Socialist economic theory was thus sweeping and comprehensive in principle, Nazi propaganda promised all things to all men and was directed primarily toward winning the support of elements in the population dissatisfied with the Weimar Republic. The large and growing body of unemployed workers constituted a reservoir from which both Communists and Nazis drew support. At the same time the increasing conservatism of the upper bourgeoisie, who had at first supported the attempted "social settlement" introduced by the Weimar constitution in relations between capital and labor, caused many captains of industry to support Hitler in order to break the power of the trade unions. A further dissatisfied element which rallied to the Nazi banner was the lower middle class whose economic security and social position was shaken to its foundations by the inflation and constantly threatened by the increasing development of heavy industry. The lower bourgeoisie was won over by Nazi demands that production of goods should aim at supplying the necessities of life, not at securing the highest possible profits for the individual; by Nazi insistence on "breaking the slavery to interest"; and by promises to "war against international finance and loan capital." Nazi agitation was also constantly directed against large capitalist undertakings, particularly department stores. The party program explicitly promised the immediate communalization of such stores and stated that they must be rented at moderate prices to small shopkeepers.

Finally, the Nazis made the most of the latent conflict between agriculture and industry, between city and country. Under the Republic the German peasant seemed "the forgotten man," and the large landowners—the predominant ruling class in Prussia and the Empire—had never become reconciled to the Weimar state which had "not penetrated into the German East."<sup>2</sup> Owing to the hostility of the large landowners, republican governments had not seriously attempted a thoroughgoing and much needed land reform. The Nazis' promise to break up the large estates for the benefit of the peasants was, therefore, an effective means of winning the support of that class. The peasants

1a. For the text of the twenty-five points of the official party program, cf. M. S. Wertheimer, "Forces Underlying the Nazi Revolution," *Foreign Policy Reports*, July 19, 1933. A good English analysis of Nazi economic principles is contained in Calvin Hoover, *Germany Enters the Third Reich* (New York, Macmillan, 1933), p. 185 et seq. For source material upon which the following summary is based, cf.: Gottfried Feder, *Das Programm der N. S. D. A. P. und seine Weltanschaulichen Grundgedanken* (Munich, Eher Verlag, 1933); *Der deutsche Staat auf Nationaler und Sozialer Grundlage* (Munich, Eher Verlag, 1932); *Wirtschaftsführung im Dritten Reich* (Berlin, Stallung Verlagsbuchhandlung, 1934); Adolf Hitler, *Mein Kampf* (Munich, Eher Verlag, 1930); Gregor Strasser, *Kampf um Deutschland, Reden und Aufsätze eines Nationalsozialisten* (Munich, Eher Verlag, 1932); Hermann Reischle, *Reichsbauernführer Darré, der Kämpfer um Blut und Boden* (Berlin, Zeitgeschichte Verlag, 1933); R. W. Darré, *Im Kampf um die Seele des deutschen Bauern* (Berlin, Steegemann Verlag, 1934); Joseph Goebbels, *Vom Kaiserhof zur Reichskanzlei* (Munich, Eher Verlag, 1934); Otto Dietrich, *Mit Hitler in die Macht, Persönliche Erlebnisse mit meinem Führer* (Munich, Eher Verlag, 1934); Hans Reupke, *Der Nationalsozialismus und die Wirtschaft* (Berlin, Otto Elsner Verlagsgesellschaft, 1931); Kurt Schmitt, *Die Wirtschaft im neuen Reich* (Munich, Callway Verlag, 1934); Hans Buchner, *Grundriss einer nationalsozialistischen Volkswirtschaftstheorie* (Munich, Eher Verlag, 1930); A. R. Hermann and A. Ritsch, *Die Wirtschaft im nationalsozialistischen Weltbild* (Leipzig, Schaeffer Verlag, 1934).

2. Cf. S. Neumann, *Die Bedeutung des gesellschaftlichen Aufbaus für die Verfassungsstruktur in Deutschland* (reprinted from the *Jahrbuch für politische Forschung*; Berlin, Junker and Dünhaupt, 1933).

were idealized by the Nazis as the principal reservoir of German strength and blood. They proclaimed their belief that from *Blut* and *Boden* (blood and soil) would come the regeneration and salvation of the German people.

Promotion of the interests of the peasants, even at the expense of the industrial interests of the Reich, was designed to achieve a cardinal principle of general Nazi economic doctrine: the establishment of German economy on a national basis. While apparently no official party pronouncements were made in favor of *Autarkie* (national self-sufficiency), many responsible Nazi leaders strongly advocated this course, and it seems clear that one of their chief aims was to make

Germany independent of the world for its food supply. The Reich was thus to be prepared for "any eventuality," i.e., war.

Thus the Nazis profited by the failure of the Weimar Republic to remedy the difficulties arising from the complex sociological structure of the Reich. Now, however, they are faced with the economic and sociological problems which beset the Empire and which weakened the Weimar Republic from its inception. In large measure, the future of the Hitler régime depends on the ability to solve these problems—which have been aggravated by the prolonged world depression and the uncertainties caused by the National Revolution itself, as well as by Nazi inexperience in governing.

### NAZI ECONOMIC PRACTICE

The early months of Hitler's rule were devoted almost exclusively to consolidation of political power. It was not until May 1, 1933, at an impressive celebration of the Day of National Labor held on the Tempelhof Field in Berlin, that the Leader made his first great speech to the workers. In this address he stressed the blessings and dignity of manual labor and proclaimed the Nazi economic campaign. His program was to provide agricultural and unemployment relief through a huge public works program, and promotion of private industrial initiative by relaxation of union wage scales and revision of existing cartel commitments.<sup>3</sup> The Nazi attitude toward labor was expressed in Hitler's statement that the first of May, "symbol of the class struggle, of eternal disputes and squabbles, has been transformed into a symbol of exaltation, a symbol of the great unification of our people."

The first practical step toward winning labor to National Socialism had already been taken in 1931 with the creation of the National Socialist Industrial Cell Organization, known as the NSBO,<sup>4</sup> which established in various industries "cells" patterned on Communist cells. The purpose of the NSBO was entirely political, since the existing trade unions were the only bodies empowered to negotiate wage agreements for labor. The Nazis concentrated mainly on "the conquest of the German workers by grappling with Marxism inside the factories."<sup>5</sup> On the whole, however, they were not particularly successful. The Nazis accused all Socialists and Communists of perfidy and treachery to the Fatherland, and blamed them for Germany's loss of the war and subsequent hard-

ships. Nazi attempts to differentiate between "criminal Marxists" and "workers led astray by their Jewish leaders" made little impression on German labor, which resented these accusations, and Nazi "socialism" seemed to offer little that was concrete to workers well-schooled in Social Democratic and Communist ideology and dialectic. German labor, however, was discouraged by the weak policy of its leaders during the years before Hitler's accession to power, and when the Hitler government took direct action against the unions, the workers' organizations collapsed like a house of cards.

On May 2, 1933 the NSBO seized all the headquarters of the Free (Socialist) Trade Unions in the Reich, imprisoned their leaders as well as the directors of the workers' bank and the trade union press, and confiscated their funds. The NSBO at once appropriated temporarily the functions of the unions and Dr. Ley, whom Hitler had previously appointed head of an "Action Committee to Protect German Labor," issued a statement explaining that "Marxism" must be eradicated root and branch. He added, however, that the Nazis "do not wish to abolish the trade unions as such . . . . We will not only conserve but will protect and extend the rights of the worker so that he may be an equal and respected member of the new National Socialist state."<sup>6</sup> The Christian (Catholic) unions were taken over the following day, and the employees' groups were coordinated on May 4. On May 10 the German Labor Front, which was to replace the unions, met in Berlin and launched its program for educating the masses in Nazi principles and coordinating the German economic and political systems.

3. Cf. *Der Zeitspiegel*, May 7, 1933.

4. *Nationalsozialistische Betriebszellen Organisation*.

5. Gerhard Starcke, *NSBO und Deutsche Arbeitsfront* (Berlin, Reimar Hobbing, 1934), p. 12 et seq. This is an official publication.

6. Cf. *Arbeitertum Blätter für Theorie und Praxis der nationalsozialistischen Betriebszellen-Organisation*, *Ämtliches Organ des A.D.G.B. und des A.F.A.-Bundes*, May 15, 1933.



### The German Labor Front

The organization of the Labor Front is modeled on that of the National Socialist party itself.<sup>7</sup> Hitler is its "protector," although its actual leader is Dr. Robert Ley, who is also Chief of Staff of the party political organization.<sup>8</sup> The thirteen special groups of the party, dealing with personnel, organization, finances, press, etc., function for the Labor Front as well. There is also a directing body for the Labor Front which consists of the leaders of its various component groups: the NSBO, the Employees' Association (NSHAGO), the *Reichsnährstand*,<sup>9</sup> the Reich Cultural Chamber<sup>10</sup> and the Association of National Socialist German Jurists. In addition to representatives of the foregoing bodies, the district chiefs (*Gauleiter*) of the party are Labor Front directors, as well as district and local functionaries of the Labor Front itself. The leaders of Reich business and of the principal industrial and commercial groups into which German business has been divided are also included, together with the labor trustees.<sup>11</sup> The Labor Front, on paper at least, thus comprises all elements in the German economic structure — both workers and employers — and at the same time ties in closely with the Nazi political structure through the National Socialist party.<sup>12</sup>

Membership in the Labor Front is open to individual workers of Aryan descent and to corporate groups such as the *Reichsnährstand* and Culture Chamber, while the middle class is specially represented through the NSHAGO (Nazi trade and handicraft organization).<sup>13</sup> The dues of individual members of the Labor Front vary according to salaries and wages, but apparently comprise about 1½ per cent of the total monthly wage of an individual.<sup>14</sup>

7. The Labor Front has experienced several complete reorganizations since its foundation. Its form apparently is still not final and any description of its mechanism must therefore be tentative. The same limitations apply to the NSBO which, with the Labor Front, is the heir of the trade unions, although the NSBO has not retained the principal functions of the latter bodies.

8. For organization of the National Socialist party, cf. Wertheimer, "Political Structure of the Third Reich," cited.

9. Cf. p. 188.

10. Cf. Wertheimer, "Political Structure of the Third Reich," cited.

11. For labor trustees, cf. p. 186; for business organizations, cf. p. 187.

12. For organization and aims of Labor Front and NSBO, cf. Hermann and Ritsch, *Die Wirtschaft im nationalsozialistischen Weltbild*, cited, p. 53 et seq.; Starcke, *NSBO und Deutsche Arbeitsfront*, cited, *passim*; P. Blankenburg and M. Dreyer, *Nationalsozialistische Wirtschaftsaufbau und seine Grundlagen* (Berlin, Zentralverlag, 1934), p. 229; J. W. F. Thielwall, *Economic Conditions in Germany* (Department of Overseas Trade; London, H.M. Stationery Office, 1934), p. 75 et seq.

13. *Nationalsozialistische Handels- und Gewerbeorganisation*, which has replaced the "Fighting Organization of Middle Class Trade and Handicraft Workers"; the latter had taken a leading part in advocating abolition of department stores and other radical measures designed to benefit the middle class. This organization was dissolved by the Nazis themselves in July 1933—a sign of lessening desire to change the social structure.

14. Cf. *Frankfurter Zeitung*, July 17, 1934; *The Economist* (London) of July 21, 1934 estimates that out of monthly earnings of £9 gold, an individual must subscribe 7 per cent. It is further reported that there is no public accounting given of the uses made of these funds and no public control over them.

The task of the Labor Front is to educate the German masses in National Socialism, and especially to inculcate community consciousness (*Gedanken der Gemeinschaft*) and the idea of service to the state. Special schools are being established to train leaders and educators for this work. The Labor Front intends also to undertake vocational training and has already taken over the so-called people's educational institutions (*Volksbildungsarbeit*) which were originally established by Liberals and Socialists to give young workers general educational opportunities.<sup>15</sup> The Labor Front, furthermore, has set up a community organization, "Strength through Joy" (*Kraft durch Freude*), modeled on the Italian *Dopolavoro*, which provides recreation and study opportunities for Nazi workers in their free time and arranges holiday trips, hikes and other expeditions.<sup>16</sup>

In contrast to the Labor Front, which is designed to be a social and educational organization, the NSBO<sup>17</sup> is charged with carrying on political work among the masses and particularly in industry. It is conceived as forming the vanguard of National Socialist workers, although its functions have been limited by the introduction of important changes in the German labor laws.<sup>18</sup>

### NAZI LABOR POLICY

One of the most important of these alterations is the "new social constitution," formulated in a law of January 20, 1934, "regulating national labor."<sup>19</sup> Under this law the employer is designated as "leader of the plant," and white collar employees and laborers are his "followers"—all working together "in the interests of the factory and for the common good of people and state." The leader (employer) makes all decisions connected with the plant "as far as they are not regulated in the law." He must care for the well-being of his "followers," who are to remain faithful to him in the "factory community." In a plant employing at least twenty, the leader has a council (*Vertrauensrat*) chosen from his followers to advise

15. Cf. *Frankfurter Zeitung*, August 12, 1934.

16. *Ibid.*, July 8, 1934, special supplement.

17. Cf. p. 184.

18. It is impossible to determine whether membership in the Labor Front and NSBO is compulsory for German workers and employees, although such membership is undoubtedly an advantage, if not a necessity, in securing employment. Individuals who belonged to the NSBO before January 30, 1933 automatically became members of the National Socialist party thereafter, and vice versa. Others not so fortunate must apply for membership in the NSBO and apparently undergo investigation before acceptance. Cf. Hermann and Ritsch, *Die Wirtschaft im nationalsozialistischen Weltbild*, cited, p. 56 et seq.

19. Text of law in Werner Hoche, *Die Gesetzgebung des Kabinetts Hitler* (Berlin, Verlag von Franz Vahlen, 1933, 1934; hereafter cited as *Gesetzgebung*), VI, p. 351 et seq.; *Reichsgesetzblatt*, 1934, I, p. 45 et seq. For supplementary decrees, cf. Hoche, *Gesetzgebung*, VII, p. 345, 353, 357, 358, 359, 366. The law went into effect on May 1, 1934.

him.<sup>20</sup> He is chairman of this group, which is charged with "deepening the common sense of trust within the factory community," as well as discussing conditions and regulation of work in the plant.

#### The Labor Trustees

The law regulating national labor defines the scope and functions of labor trustees (*Treuhänder der Arbeit*), appointed by the Reich government under the terms of a provisional measure promulgated on May 19, 1933.<sup>21</sup> The trustees are charged with the maintenance of social peace, and their power in regulating labor questions is practically supreme. They are, moreover, political officials who must follow the policy and directions of the Reich government. Under the new labor law the trustees cooperate with the factory councils and may investigate and regulate conditions of work. They are empowered to supervise general policy and wage regulation, and see that decisions are carried out. In cases of dismissal of a number of workers from a plant, the employer must inform in advance the trustee, who has discretion to control dismissals. The trustees have an advisory council of experts to assist them, consisting of members of factory councils recommended by the Labor Front and a few individuals chosen by the trustee.

The plant leader is required by the law to formulate the rules governing his factory, including regulation of hours, conditions under which dismissal may take place without notice, and stipulations concerning minimum wage rates. The labor trustee, however, has power to regulate the minimum wage rates if he and his advisers are convinced that the rights of the workers have been insufficiently protected. The new law also contains measures designed to protect workers against dismissal without notice. Thus a person employed for a year or more in a plant having at least ten employees has the right, within two weeks of receipt of his dismissal notice, to apply to a labor court for revocation of his dismissal. Such action, however, is permissible only if "his dismissal

appears unjustly harsh and if it is not motivated by the condition of the plant." In case the court decides in favor of the ousted worker, his employer must recompense him but, in determining the amount, consideration is to be given "to the economic condition of the dismissed worker and also to the commercial situation of the factory in question."

#### Special Courts to Protect Social Honor

Finally, the law establishes "honor courts" (*Ehrengerichte*) to see that both employers and employees live up to their social responsibilities, which are defined as follows: "Every member of a factory community is responsible for conscientious fulfillment of the duties of his position within the factory community . . . . In particular, conscious of his responsibility, he must devote his entire strength to the service of the plant and must subordinate himself to the common good." Crass violations of these rules, considered as violations of social honor, include malevolent abuse by the plant leader or any other executive (*Aufsichtsperson*) of his position of authority to exploit the workers or defame their honor. The followers, for their part, violate the social honor if they endanger the peace in a plant by malevolent incitation, or if a member of the factory council "presumes to obviously inadmissible interference in the works management." Continual unfounded complaints to the labor trustee are also classified as infringements of the code.

Special honor courts—one for each labor trustee's district—are provided by the law to judge and punish infractions of social honor. The courts consist of a judge as chairman, appointed by the Reich Ministers of Labor and Justice, one plant leader, and one worker who is a member of a factory council. The latter two are appointed by the judge from lists prepared by the Labor Front. There is also a Reich honor court which is empowered to settle appeals from the district courts in important cases. These honor courts may impose fines up to 10,000 gold marks, give warnings and dismiss plant leaders who have proved unworthy to hold their jobs. The labor trustees are required to make application to the court for a decision regarding violation of social honor, and may put forward proposals concerning cases under trial.

The labor law is an attempt to apply the fundamental principles of Nazi socialism: establishment of a classless state in which the welfare of society must prevail over individual welfare. The employer is pledged to protect the employee and insure his well-being, while workers must be faithful and true to their leaders. Both must work together for the good of people and state. "Social honor dominates German economic

20. Members of the advisory council must belong to the Labor Front. The factory leader and the head of the NSBO group in the plant prepare a list of possible members of the council which the followers then vote on by secret ballot. If it proves impossible to form a council in this way, the labor trustee is empowered to appoint one. It is reported that council elections held in the spring of 1934 resulted in an almost 50 per cent anti-Nazi vote, so that the labor trustees have been forced to appoint many councils. Cf. *New York Times*, May 26, 1934.

21. Hoche, *Gesetzgebung*, cited, II, p. 349 et seq. Supplementary decrees promulgated on June 13, July 20, 1933. *Ibid.*, III, p. 661 et seq. For a list of the thirteen labor trustees and districts, cf. Fritzsche, *Aufbau der Wirtschaft im Dritten Reich*, cited, p. 145; also *Völkischer Beobachter*, July 18, 1934, for recent changes in personnel. The personalities and previous experience of the labor trustees, a very important factor in preserving "social peace," vary widely. Some are former labor leaders, although the outstanding example of this type, Engel in the Berlin district, has been replaced. The trustee in Pomerania is a retired admiral, and others are former government officials.

life . . . . while social jurisdiction [of the honor courts] protects the men who work, both followers and leaders."<sup>22</sup>

Relations between capital and labor are primarily regulated by pressure exerted through the honor courts. The labor trustees, however, appear to carry the major responsibility for the welfare of the German workers, both because of their wide powers regarding dismissals and wages, and because "violations of the social honor" may come before the courts only on their application.<sup>23</sup> The trustees are appointed by the government for one year, and are therefore political agents whose policy is not only regulated but formulated by that government. Under the new law, furthermore, strikes and lock-outs are virtually prohibited; "malevolent incitation" on the part of labor is classed as a violation of social order, for it endangers peace in a factory. Thus the workers have lost both their right of collective bargaining and wage contracts, and their ultimate safeguard against exploitation—the right to strike.<sup>24</sup> Their well-being depends solely on the labor trustees, and the workers have no means of exerting pressure in defense of their rights. Employers are in theory equally hampered in defending their interests against labor; most impartial observers, however, believe that the power of the employers has been actually consolidated by Nazi suppression of the trade unions and the system established in the new labor law.

#### BUSINESS AND INDUSTRIAL ASSOCIATIONS

While relations between capital and labor have thus been basically altered, no fundamental changes have been made in the structure of business and industry. A measure readjusting the relations of the various industrial groups to the state was promulgated by the Hitler government on February 27, 1934.<sup>25</sup> This law "to prepare the organic structure of German economy" merely regulates the complicated business associations which have always played an important rôle in Germany in relations between business and the state.<sup>26</sup> Under this law an attempt was made to introduce the Nazi principle of "leadership" into business; the Reich Minister of

Economics was given power to recognize certain associations as the sole representatives of their branch of business, and to set up new groups as well as dissolve or unite existing ones. The Economics Minister, moreover, may alter the rules and regulations governing these associations. He may also appoint and dismiss leaders of groups, and force individual business enterprises or industries to join an association. To further the unified organization of commerce, every business concern must join a specified group, which is now supposed to be not only the sole representative of its members but also the defender of the general welfare.<sup>27</sup>

As a result of this law German business has been divided into twelve groups, each headed by a leader. Seven of these divisions, comprising practically all branches of industry,<sup>28</sup> are united in the *Reichsstand der Industrie* (Reich Industry Estate) which replaced the powerful *Reichsverband der deutschen Industrie* (Reich Association of German Industry) shortly after the National Revolution. The remaining five groups include representatives of trades and handicraft (*Handwerk*), commerce, banking and credit, insurance and transport. The twelve groups, moreover, are headed by one responsible leader.<sup>29</sup> This roof organization of business, as it is sometimes called, has so far taken apparently little or no constructive action, although it is reported that the functioning of private business as well as business associations has been seriously impeded by its complicated bureaucratic machinery.<sup>30</sup>

#### Nazi Measures Concerning Cartels

Of greater significance than the reorganization of German business associations is a measure altering the existing cartel legislation, promulgated on July 15, 1933.<sup>31</sup> Under this law the Reich Ministers of Economics and Agriculture, in their respective fields, may form compulsory cartels, dissolve existing combines and forbid the establishment of new firms or the extension of existing ones in any branch of industry where they consider such action necessary. The

27. Hermann and Ritsch, *Die Wirtschaft im nationalsozialistischen Weltbild*, cited, p. 62 et seq.

28. These industries include: mining products of iron and metals—Krupp von Bohlen and Halbach (Essen), leader; shipping, engineering, electrotechnical, optical and fine mechanical—Blohm (Hamburg), leader; iron, tin, metalwares—Hartkopf (Solingen), leader; stones, earthenware, wood, building, glass and ceramics—Vögler (Essen), leader; chemicals, technical oils and fats, paper and paper converting—Pietzsch (Munich), former leader; leather, textiles and clothing—Dierig (Langenbielau), leader; foodstuffs—Schüler (brewery director, Dortmund), leader. Cf. Fritzsche, *Aufbau der Wirtschaft im Dritten Reich*, cited.

29. Until July 11, 1934 this leader was Philipp Kessler, general director of the Bergmann Electrical Works. He has now been replaced by Count von der Goltz, his former deputy. Cf. *Der Zeitspiegel*, July 22, 1934.

30. Cf. *The Economist* (London), May 19, 1934.

31. Text of the law in Hoche, *Gesetzgebung*, cited, III, p. 426 et seq.; *Reichsgesetzblatt*, 1933, I, p. 488.

22. *Der deutsche Volkswirt*, January 19, 1934.

23. Cf. Thelwall, *Economic Conditions in Germany*, cited, p. 81.

24. Cf. *The Economist* (London), January 20, 1934.

25. Text in Hoche, *Gesetzgebung*, cited, VII, p. 241 et seq.; *Reichsgesetzblatt*, 1934, I, p. 185.

26. Industrial associations are defined by the law as those bodies or groups of associations devoted to protecting the interests of industrialists and industries. These associations were formerly of two kinds: the so-called employers' organizations (*Arbeitgeber Verbände*), which carried on negotiations with the workers' trade unions regarding wages, hours, working conditions, etc., and the Reich Association of Industry (*Reichsverband der deutschen Industrie*), which was a clearing house for commercial information. Its tasks were undefined, but it actually functioned as the political mouthpiece of industry.



Ministers, moreover, have power to regulate the rights and duties of cartel members, to change contractual relations when firms are forced to join existing combines, and to exercise general supervision over and interference with cartels. Their power is backed by the threat of unlimited fines in case of failure to comply with the orders issued.

The official explanation of the law states that it is in no way intended to change the existing economic system or to introduce government planned economy. The necessity for private initiative and responsibility is stressed, but it is declared that "for the general good," the state must have power to regulate business when necessary. The main purpose of the law apparently is to give the government more influence in price-fixing and to control expansion of industry. Up to the end of March 1934 compulsory cartels had been formed in thirteen industries,<sup>32</sup> and by July 21, 1934 twenty industries had been forbidden to expand existing plants or start new enterprises.<sup>33</sup>

#### Increased Power of Minister of Economics

The new cartel law and the reorganization of business associations gives the Reich Minister of Economics great influence in the commercial life of the country, at least on paper. His power has been augmented by a law promulgated on July 3, 1934 which enables him until September 30, 1934 to take any measures he considers necessary for improvement of the German economic situation,<sup>34</sup> even if contrary to existing laws. Failure to comply with his orders is punishable by a prison sentence or fine.<sup>35</sup> Following the retirement of Dr. Kurt Schmitt on leave of absence, Hitler on August 2, 1934 appointed Dr. Hjalmar Schacht Minister of Economics for a period of six months.<sup>36</sup> Since Dr. Schacht continues to hold the position of president of the Reichsbank, a large portion of Germany's economic and financial power is concentrated in his hands.

The German banking system has not been altered by the Nazis, although a committee of investigation has studied the question of nationalizing the banks. The head of the banking division of the roof organization of business has expressed himself publicly against nationalization, adding that the banks must function only for the common welfare.<sup>37</sup>

#### AGRICULTURE

While there has been no fundamental change in the structure of German industry and banking, the Nazis have promulgated two basic laws which have considerably altered the agricultural structure of the Reich. These are the Food Estate (*Reichsnährstand*) decree and the Hereditary Farms Law (*Reichserbhofgesetz*). The so-called Food Estate or *Nährstand* is a provisional measure designed to remove agriculture as far as possible from the influence of general economic fluctuations and give it a separate, stable existence.

#### The Food Estate

The law establishing the *Nährstand* was promulgated on September 13, 1933,<sup>38</sup> and under it the Minister of Agriculture was given power to build up the organization. According to this law and its supplementary decrees,<sup>39</sup> agriculture comprises not only farming but forestry, horticulture, fishing and shooting, viniculture and bee-keeping. The *Nährstand*, moreover, includes agricultural cooperatives, wholesale and retail, all trade in agricultural produce, and the industries using such products in their manufacturing processes. The Minister of Agriculture may authorize the *Nährstand*, or any of its individual groups, to regulate production, sale, prices and price-spread of agricultural produce if this seems advisable in the interest of trade and the general well-being. In order to serve these ends, the Minister may also combine or amalgamate groups or members of the Estate and other undertakings and organizations dealing in or manufacturing agricultural products. There are severe penalties for infraction of the law or the regulations issued under it, and any person found guilty may be prohibited from continuing in business.

The *Nährstand* is an autonomous public body with headquarters in Berlin; it has replaced all the numerous German agricultural and peasant farmers' organizations, councils and chambers.<sup>40</sup> The first supplementary decree issued under the law<sup>41</sup> charged the *Nährstand* with the task of training its members for active participation in the reconstruction, maintenance and strengthening of the German nation. Its chief func-

38. Text of law in Hoche, *Gesetzgebung*, cited, IV, p. 377 et seq.; *Reichsgesetzblatt*, 1933, I, p. 626; official commentary in *Reichsanzeiger*, No. 220.

39. December 8, 1933, January 15, 1934, February 16, 1934. Texts in Hoche, *Gesetzgebung*, cited, V, p. 581 et seq.; VI, p. 162, 164. These decrees list the branches of trade and industry with agricultural connotations which are regulated by the *Nährstand*.

40. The leader of the *Nährstand*, known as *Reichsbauernführer* (Reich Peasant Farmer Leader), is appointed by the Chancellor and is at present Dr. R. W. Darré, who is also Reich Minister of Agriculture.

41. December 8, 1933. Text in Hoche, *Gesetzgebung*, cited, V, p. 581 et seq.

32. Cf. Thelwall, *Economic Conditions in Germany*, cited, p. 87.

33. Cf. Deutsche Bank und Disconto Gesellschaft, *Wirtschaftliche Mitteilungen* (Berlin), July 27, 1934.

34. *Voelkischer Beobachter*, July 4, 1934.

35. *Frankfurter Zeitung*, July 6, 1934.

36. *Voelkischer Beobachter*, August 4, 1934.

37. O. C. Fischer, *Das Bankwesen im nationalsozialistischen Staat* (Berlin, Junker und Dünhaupt, 1934).



tion, however, is to insure stable prices for the German farmers.<sup>42</sup>

#### Agricultural Regulation and Price-Fixing

Through the *Nährstand*, Nazi Germany has instituted a species of planned economy for agriculture. Prices of fruit, vegetables, early potatoes and onions have been regulated by the government, and special organizations have been created to fix the prices of milk products, oils and fats, eggs and cattle.<sup>43</sup> A decree issued on September 29, 1933<sup>44</sup> empowered the Reich Minister of Agriculture to fix minimum prices for wheat and rye. On June 27, 1934, moreover, the government, motivated at least in part by the prolonged drought and consequent poor harvest, enacted a grain law, the purpose of which is to insure the peasants a fair price for their crops and at the same time provide adequate bread for the German people. Under this law the Reich Minister of Agriculture is given power to require producers of domestic rye and wheat, as well as cooperatives and other distributors, to deliver fixed amounts of these grains for food purposes. He may also regulate the quantities which flour mills are allowed to grind in accordance with the existing demand for bread. The same regulations may be applied to the production, distribution and manufacture of feed for animals, and provision is made for eventual delivery to and distribution through government-controlled agencies. There are severe penalties for infraction of the law which are necessitated, it is explained, "because the carrying out of the law is of extraordinary importance to the well-being of the people and, under special circumstances, might even become a matter of life and death." It seems clear from this statement that the general purpose of Nazi agricultural regulation is complete national self-sufficiency in food in case of war.<sup>45</sup>

The grain law empowers the Minister of Agriculture to determine not only the amount of cereals which must be delivered by the farmers, but the prices to be paid. Prices will also be fixed for dealers, cooperatives and flour mills, as well as for the production and distribution of animal fodder. The Agricultural Minister has power to regulate the amounts and prices of bakery products.

A decree supplementing the grain law was promulgated on July 16, 1934, fixing prices for oats and barley and providing a stable bread price which must be maintained even

if grain prices are raised.<sup>46</sup> It further regulates the spread between wholesale and retail prices for the entire grain market, as well as the use to be made of imported wheat. This decree reflects the serious crop shortage in the Reich as a result of the drought. In order to facilitate regulation of the grain market, the decree establishes a central association comprising nineteen grain organizations as well as the groups representing rye and wheat flour mills. The chief task of the new association is regulation of production and use of grain from all farms larger than five hectares (12.355 acres).<sup>47</sup> During the period between July 16 and October 31, 1934, these farms must deliver 30 per cent of the rye and 25 per cent of the wheat they marketed from their 1933 harvest.

#### Hereditary Farms Law

Although the *Nährstand* embraces and controls all German agriculture, the Nazis have apparently made no move to break up the large estates. Minister Darré, in a speech to small peasant farmers delivered on May 10, 1934, stated that the "hopelessly unprofitable estates must yield to a healthy economic structure. This means the refilling of East Elbia with German peasants and families."<sup>48</sup> Up to the present, however, even this promise has not been carried out.

On the other hand a measure has been promulgated concerning a special class of farmers—the independent peasants. Under the terms of this Hereditary Farms Law of September 29, 1933,<sup>49</sup> all estates up to 125 hectares (278.875 acres) from which a family can secure a living are turned into so-called hereditary farms. Upon the owner's death, such a farm must pass undivided to the eldest son or, if there are no direct male heirs, a near male relative. The heir is obliged to provide educational training for his younger brothers and sisters as well as a living until they come of age. The owner, who alone is entitled to be termed a peasant, must be a German citizen of Aryan descent and able to prove that none of his ancestors since January 1, 1800 were Jewish or colored. Hereditary farms cannot be sold, mortgaged or attached for debts. It is expected that approximately one million of these farms will be established, comprising

46. Rye prices have been raised 6 RM per ton and wheat prices 10 RM per ton. This increase is to be equalized by cutting the profits of grain dealers, millers, flour dealers and bakers. Cf. *Deutsche Bank, Wirtschaftliche Mitteilungen*, July 27, 1934; *Voelkischer Beobachter*, July 17, 1934.

47. Farms less than 12.355 acres produce no surplus for market.

48. *The Times* (London), May 12, 1934. No report of this speech appeared in the official *Voelkischer Beobachter*.

49. Text in Hoche, *Gesetzgebung*, cited, IV, p. 382 et seq.; *Reichsgesetzblatt*, 1933, I, p. 685; *Reichserbhofgesetz vom 29 September 1933 nebst Durchführungsverordnungen des Reichs und der Länder* (with a commentary by Dr. Werner Vogels; Berlin, Vahlen Verlag, 1934, 3rd edition). The law went into force on October 1, 1933.

42. R. W. Darré, "Aufbau und Wesen des Reichsnährstandes," *Der deutsche Volkswirt*, January 19, 1934.

43. Cf. *Frankfurter Zeitung*, July 4, 1934.

44. Hoche, *Gesetzgebung*, cited, IV, p. 422 et seq.

45. Cf. *Frankfurter Zeitung*, July 1, 4, 17, 18, 1934; *Deutsche Bank, Wirtschaftliche Mitteilungen*, July 27, 1934; *Voelkischer Beobachter*, July 2, 1934.

some 60 per cent of the total arable land in the Reich.<sup>50</sup> The Nazis are thus endeavoring to carry out their ideal of founding a strong class of independent farmers as a "blood reservoir" for the German people. It remains to be seen, however, whether the individuals who lose their freedom of action through these measures will be satisfied with their new status.<sup>51</sup>

A further indication of the tendency to tie agricultural workers to the land is found in the law regulating the employment of land laborers promulgated by the Reich government on May 15, 1934.<sup>52</sup> Under this measure, the president of the Reich Institute for Employment and Unemployment Insurance is given power, in certain urban districts where there is a high percentage of unemployment, to prohibit the hiring of persons who do not live in the district. This official may also ordain that individuals who have worked on the land within three years shall not be hired for other than agricultural work. Furthermore, "in order to supply the demand for farm labor," factory employers must dismiss persons who have done agricultural work during the past three years if the president of the Unemployment Insurance Institute so orders. This applies, however, only to those earning less than 3,600 marks

per annum. These regulations have already been put into effect in the municipality of Berlin, including many of the outlying suburbs. A supplementary decree of May 17, 1934<sup>53</sup> provides that workers already employed in a number of specified agricultural pursuits or who have worked on the land for at least 52 weeks during the previous three years may not be hired by various German industries<sup>54</sup> without special official permission. The same ruling applies to female workers in stated jobs. The purpose of these measures, apparently, is to relieve urban unemployment, but they effectively limit freedom of choice of domicile, especially among the poorer classes. They must also in time aggravate the position of the younger sons of peasant farmers disinherited by the Hereditary Farms Law.

Meanwhile, agriculture settlement, one of the Nazi's often proclaimed campaign promises, has not made rapid progress in the Third Reich. Between three and four thousand small-holdings were established in 1933, as compared with 8,877 during 1932, the last year of the Republic. Settlements are now made only after careful consideration of racial and political affiliation, but it is reported that between 8 and 10 thousand will be carried out during 1934.<sup>55</sup>

### GERMANY'S ECONOMIC STATUS

The far-reaching changes introduced by the Hitler government in agriculture, labor policy and business have been motivated, according to the Nazis, by a determination that all resources shall be used for the benefit of the community as a whole. The Nazis are attempting the double task of overcoming the depression and giving practical application to National Socialist ideals. In accordance with the Nazi principle of leadership, the measures taken have been imposed from above in quick succession, without previous public discussion or possibility of eventual change through direct pressure of public opinion. When changes are made—which is often—they are also announced suddenly, with the result that there is considerable uncertainty in German economic life which does not foster the confidence necessary to fundamental and lasting economic recovery.

Nor has confidence been promoted by the lack of a well-defined central plan. Up to the present the capitalist system has been maintained, although government control of agriculture is practically complete. Industry, on the other hand, remains relatively untouched, but German labor law has been fundamentally altered by the Nazis. The structural changes effected by the Nazis have concentrated power in large bureaucratic organizations, whose smooth functioning is essential for successful application of the new laws. Reliable reports indicate, however, that there is little efficiency in the organizations set up under these measures; consequently administration, as well as business, has been considerably handicapped.<sup>56</sup> The questionable stability of the currency and increasing doubts as to whether the mark can or should be maintained artificially at par are further important obstacles to recovery. Uncertainty regarding Nazi economic policies is aggravated by the disturbing political situation, both internal and external.

### THE INTERNAL PRODUCTION "BOOM"

Despite these obstacles, the German internal economic situation has improved dur-

50. Cf. Institut für Konjunkturforschung, *Vierteljahrshefte zur Konjunkturforschung* (hereafter cited as *Vierteljahrshefte*), 9th year, No. I, Part A (Hamburg, Hanseatische Verlagsanstalt, 1934), p. 26.

51. Cf. *The Economist* (London), May 26, 1934.

52. Text in Hoche, *Gesetzgebung*, cited, VIII, p. 226 et seq.; *Reichsgesetzblatt*, 1934, I, p. 381. For supplementary decree applying provisions of law to city of Berlin, cf. Hoche, *Gesetzgebung*, VIII, p. 229; *Reichsanzeiger*, No. 114.

53. Hoche, *Gesetzgebung*, cited, VIII, p. 232 et seq.; also *Reichsanzeiger*, No. 114.

54. These include: mining, iron and steel, smelting and semi-finished metal goods, building and allied trades, brick-making, and building projects of the Reich post and railways.

55. Cf. Thelwall, *Economic Conditions in Germany*, cited, p. 186.

56. Cf. *New York Herald Tribune*, August 24, 1934 (article on the structure and functioning of the Nazi government by J. K. Pollock).

ing the last two years,<sup>57</sup> although it should be noted that the upturn began in 1932, some months before the Nazis came to power, and the improvement during 1933 paralleled world economic developments. The domestic upturn has been chiefly due to the large projects which were started during the summer of 1932 and extensively enlarged by the Nazis;<sup>58</sup> 5.4 billion RM have already been appropriated for this work creation, 2.4 billion of which had been spent by the end of May 1934. Approximately one billion marks of this amount was paid out during the first five months of 1934.<sup>59</sup> These sums have been secured by the issue of medium-term treasury notes (*Arbeitsbeschaffungswechsel*), which have been absorbed by the Reichsbank and the commercial banks. It is estimated that up to June 1934 over two billion RM had been issued, of which the Reichsbank holds more than 1.2 billion RM.<sup>60</sup> These credits, however, are a future charge on the Reich which will make itself felt especially during the years from 1935 to 1938. The German public debt (*Reichsschuld*) as of March 31, 1934 totaled RM12,414.6 millions, a sum only slightly larger than the total debt of the previous year.<sup>61</sup> This was due, however, to the fact that a considerable portion of the debt is in foreign currencies, the value of which has depreciated.

#### UNEMPLOYMENT DECREASE WITHOUT WORK INCOME INCREASE

Primarily as a result of the public works projects, the number of registered unemployed in Germany, according to official figures,<sup>62</sup> decreased from more than 6 million at the end of 1932 to 2½ million in June 1934. From March 1933 to March 1934 it is reported that 1,800,000 persons were re-employed in so-called "regular" jobs, while some 700,000 were taken care of in "extraordinary" work—including the labor service, emergency and charity work, and agricultural jobs. Since last spring, the Nazis report a decrease in the number of extraordinary workers, while the number of regular employed is said to have increased.<sup>63</sup>

57. Cf. *Vierteljahrshefte*, cited, 9th year, No. II, Part A, July 12, 1934, p. 47.

58. The public works projects include the Papen program of 1932; the *Sofort* (urgency) program of January 1933; the first and second Reinhardt programs of June and September 1933; the Reich Railway Company programs of 1932 and 1933; the post office program of 1932 and 1933; and the motor road program of June 1933. Cf. *Vierteljahrshefte*, cited, 9th year, No. II, Part A, July 12, 1934; Deutsche Gesellschaft für Öffentliche Arbeiten, *Bericht über das Geschäftsjahr 1933* (Berlin, July 1934); Thelwall, *Economic Conditions in Germany*, cited, p. 17 et seq.

59. Cf. *Vierteljahrshefte*, cited, 9th year, No. II, Part A, July 12, 1934, p. 50 et seq.

60. *Ibid.*, p. 67; cf. also *ibid.*, 9th year, No. I, Part A, April 27, 1934, p. 12 et seq.

61. *Ibid.*, 9th year, No. II, Part A, p. 72.

62. National Socialist figures do not account for the large number of invisible unemployed nor for the replacement of women in industry by men. Cf. Maxwell S. Stewart, "Paradoxes of World Recovery," *Foreign Policy Reports*, August 15, 1934.

Despite the large number of persons put back to work, the total work income, i.e., the income of workers, white collar employees and officials, in Germany has risen only slightly and is still very far below the high point—between 11 and 12 billion marks—reached in 1929. By the end of the second quarter of 1934 the total work income had risen slightly more than a billion marks from its lowest point of 6¼ billion in 1932.<sup>64</sup> Regular wages have remained relatively stable,<sup>65</sup> but the newly employed are often paid at extremely low rates, the primary object of the government being to provide work for the unemployed. At the same time the burden of unemployment insurance has been correspondingly lightened. The actual earnings of the employed have been reduced by compulsory subscriptions to organizations to which they must belong and by the contributions they are expected to make to various collections,<sup>66</sup> a portion of these sums often being deducted from the individual's wages at the source.<sup>67</sup> The cost of living, on the other hand, rose 5.5 per cent between January and July 1934, while food costs averaged 6.8 per cent more during the first four months of 1934 than in 1933<sup>68</sup>—developments which show that real wages, even of the fully and regularly employed, have fallen somewhat.<sup>69</sup> The "extraordinary" workers are reported to receive little more than the former dole.

The lack of buying power resulting from continued depression in the income of the masses, as well as from concentration on unproductive public works, accounts for the fact that consumption has lagged considerably behind production in the Reich. Large inventories of consumption goods have consequently been accumulated; decided improvement has taken place in the textile and shoe industries, however, because of the increased demand for uniforms and boots. The major part of renewed industrial activity has occurred in the manufacture of production goods, most of which go to the state for public works and other purposes. Industrial production in the Reich increased during the first five months of 1934 by 29 per cent compared to the same period of the preceding year. In volume of production Germany has

63. *Vierteljahrshefte*, cited, 9th year, No. II, Part A, p. 50.

64. *Ibid.*, p. 53. This rise is somewhat augmented by the fact that prices were lower in 1932 than in 1929.

65. Cf. *The Economist* (London), March 10, 1934. The average drop in wages for the year 1933 was slightly under 1 per cent.

66. These collections became so prevalent and caused such resentment that the government felt it necessary to promulgate a law on July 3, 1934 prohibiting them entirely until October 31, 1934. Cf. *Frankfurter Zeitung*, July 4, 1934.

67. Cf. Thelwall, *Economic Conditions in Germany*, cited, p. 26.

68. *Vierteljahrshefte*, cited, 9th year, No. II, Part B, p. 146; *New York Times*, August 20, 1934.

69. *Wirtschaft und Statistik*, I, July 1934, p. 420. Unofficial figures indicate that food prices rose from 9 to 12 per cent. Cf. Stewart, "Paradoxes of World Recovery," cited.



now recovered, according to official figures, 63 per cent of the decline during the depression.<sup>70</sup>

#### GERMAN RE-ARMAMENT

German re-armament, moreover, accounts for at least a part of the country's industrial activity.<sup>71</sup> Defense appropriations in the 1934-1935 Reich budget show an increase of 223.2 million marks over last year's estimates, besides which the budget of the Air

Ministry, which is now separated from that of the Defense Ministry (Army and Navy), contained an appropriation of 210.2 million marks for 1934-1935, as compared with 77 million for the previous year.<sup>72</sup> It should be pointed out that the 1934-1935 budget also provided a further item of 250 million marks for the Storm Troops and Voluntary Labor Corps, as well as 190 million marks for police purposes.<sup>73</sup>

### CONCLUSION

The entire German recovery program is jeopardized by the failure of exports to keep pace with imports.<sup>73a</sup> Increased production resulting from the work creation program and re-armament has forced large importations of raw materials at a time when German export trade is declining sharply and foreign exchange reserves are extremely low. The resulting unfavorable trade balance has necessitated imposition of an extensive control of foreign exchange transactions, suspension of almost all German debt payments abroad and regulation of imports. Foreign raw materials, which are essential to German industry, are being strictly rationed, and already reports are current that these measures are forcing factories to reduce hours and discharge workers.<sup>74</sup> The outlook is also darkened by the serious crop shortage in the Reich, due to the prolonged drought.

The foreign exchange and raw materials crisis has led to more extensive state interference in private business than the Nazis' attempts to apply their economic theories. The German people, furthermore, are being prepared for a hard winter by a huge propa-

ganda campaign designed to represent hunger as a virtue, popularize self-sacrifice and introduce a Spartan patriotism.<sup>75</sup> Important leaders have announced recently that raw material substitutes are being invented to replace foreign products. Present difficulties as well as future hardships are ascribed solely to the mistakes of republican governments and the international hostility of the outside world. Nevertheless, the Nazis are relying on the effect which stoppage of German raw material purchases may exert abroad. For despite the fact that German foreign obligations are in default, Dr. Schacht apparently expects that foreign sellers of raw materials will eventually be forced to advance credit to the Reich in order to rid themselves of surplus products.

It remains to be seen whether the docile Germans, many of whom suffered similar privations during the war years, will submit to the drastic lowering of their living standards which this policy entails. The future of Hitlerism depends partly on the outcome of an endurance test between the German people and the outside world.

70. *Vierteljahrshefte*, cited, 9th year, No. II, Part A, p. 55.  
71. Cf. M. S. Wertheimer, "The Foreign Policy of the Third Reich," *Foreign Policy Reports*, March 28, 1934.

72. German note to British Foreign Office, April 11, 1934. Text in *New York Times*, April 17, 1934; figures of 1934-1935 from *Reichsgesetzblatt*, 1934, II, March 26, 1934; 1933-1934 figures from German Ministry of Finance, *Finanzieller Ueberblick*

*über den Reichshaushaltsplan, 1935* (Berlin, Reichsdruckerei, 1935).

73. *The Times* (London), March 28, 1934.

73a. Cf. table on German Foreign Trade Figures.

74. German commercial and foreign debt policies will be discussed in a forthcoming issue of *Foreign Policy Reports*.

75. *New York Times*, August 28, 1934.

### APPENDIX

#### GERMAN FOREIGN TRADE FIGURES\* (in millions of Reichsmarks)

YEAR	FOODSTUFFS		RAW MATERIALS & HALF-FINISHED GOODS		FINISHED GOODS		TOTAL IMPORTS	TOTAL EXPORTS	Balance + or -
	Imports	Exports	Imports	Exports	Imports	Exports			
1931 .....	1,970	359	3,472	1,814	1,225	7,380	6,632	9,600	+2,967
1932 .....	1,527	218	2,412	1,032	727	4,489	4,666	5,739	+1,073
1933 .....	1,082	172	2,420	903	670	3,787	4,204	4,871	+667
1934 .....	593	80	1,627	470	425	1,856	2,673	2,407	-37
Jan.-July									
1933 .....	636	86	1,412	508	384	2,152	2,448	2,764	+45
Jan.-July									

\*Compiled from *Frankfurter Zeitung*, and *Wirtschaft und Statistik*.